

# Polyard Petroleum International Group Limited

## Continuous Disclosure Procedures

### 1. INTRODUCTION

The purpose of the Continuous Disclosure Procedures (the “**Procedures**”) is to provide guiding principles, practices and procedures to assist Directors and employees in (a) relaying potential inside information to the Board to enable it to make timely decisions on disclosure, if necessary, and (b) communicating with our shareholders, in ways which are in strict compliance with Part XIVA of the Securities and Futures Ordinance (“**SFO**”) (Cap. 571) and the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”), including but not limited to the recent changes in Chapter 17 and Chapter 20 of the GEM Listing Rules.

### 2. PRINCIPLES OF DISCLOSURES

2.1 Polyard Petroleum International Group Limited (the “**Company**”) is aware of its statutory obligations to disclose inside information to its shareholders and investors under the SFO and the continuous disclosure obligation under the GEM Listing Rules. In this respect, the Company will as soon as reasonably practicable after any inside information has come to its knowledge, disclose to the public the **specific information** (about the Company, a shareholder or officer of the Company or its listed securities or derivatives) which is **not generally known** to the persons who are accustomed or would be likely to deal in the listed securities of the Company but would if general known to them be **likely to materially affect the price** of the listed securities.

2.2 There are three key elements comprised in the concept of inside information. They are

- (a) the information about the Company must be specific<sup>1</sup>;
- (b) the information must not be generally known to that segment of the market which deals or which would likely deal in the Company’s securities<sup>2</sup>; and
- (c) the information would, if so known be likely to have a material effect on the price of the Company’s securities<sup>3</sup>.

The Appendix listed some common examples of event or circumstances which might constitute inside information that should be considered whether a disclosure obligation arises.

2.3 The Company conducts its affairs with close regard to the “Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission (“**SFC**”) in June 2012.

2.4 The Company has imposed a strict prohibition on the unauthorised use of confidential or inside information. Such prohibition is applies to all Directors and employees.

### 3. APPLICATION OF PRINCIPLES OF DISCLOSURES

The Company apply these principles of disclosures in three respects:-

- determining whether information is inside information and requires immediate disclosure;
- monitoring information disclosure having regard to the SFO and the GEM Listing Rules requirements; and
- disseminating information to our shareholders and other stakeholders.

3.1 An employee who becomes aware of a matter, development or event that he/she considers it to be material or potentially price-sensitive shall report it promptly to his/her Division/Department Head who will assess the sensitivity of the relevant information and, if considered appropriate, escalate and report it to the Chief Executive Officer.

- 3.2 Upon being notified, the Chief Executive Officer shall assess the materiality of the relevant information, determine the appropriate course of actions and, if considered appropriate, notify the Board and the Board might consider and decide whether or not the information constitutes inside information and disclosure of which shall be made immediately.
- 3.3 When considering a disclosure, the Board shall decide on the scope of information to be released and the timing of the release. If the matter is being developed, such as, when negotiations are at a stage that makes it impossible to be more forthcoming, and more precise details could only be released at a later stage, the Board might decide issuing a “holding” announcement or simply issuing a “no comment” statement. Directors may seek independent professional advice, if and when appropriate, to ensure that the Company can timely comply with the disclosure requirements.
- 3.4 If the Chief Executive Officer becomes aware that the general market projections of the Company’s financial performance are materially different from the in-house estimates, he/she shall promptly notify the Board of the differences, and the Board may consider, if and when appropriate, issuing a warning announcement.
- 3.5 In monitoring the continuous disclosure obligations arising from any business transactions or developments, we pay regard to the provisions under the SFO and the Listing Rules in particular, whether the business transactions are related to or give rise to inside information, share price movements, price-sensitive information including but not limited to those business transactions which would constitute any notifiable transactions, connected/related parties transaction and advance/financial assistance and guarantees to affiliated companies etc.

#### **Delay of Disclosure**

- 3.6 In the case where the Board decided that the inside information shall temporarily be withheld from the public for legitimate business purposes (for example, if release of the information would prejudice negotiations in a corporate transaction), such a decision shall be documented by the Company Secretary who shall
- (a) describe the matter in question;
  - (b) include a statement as to the materiality of the matter; and
  - (c) set out the reasons for delaying the disclosure.
- 3.7 Where the Company relies on the safe harbours<sup>4</sup> that allow non-disclosure of inside information, the Company must ensure that the strictest confidentiality is maintained. Under such circumstances, access to the withheld inside information shall be restricted, as far as practicable, to the highest level of management and on a need-to-know basis. The responsible senior executive shall (a) maintain a list of personnel who have access to the withheld inside information, and (b) closely monitor and regularly report to the Chief Executive Officer on the development or progress of the relevant matter. The Chief Executive Officer shall, during the period before the withheld inside information is disclosed, closely monitor the activity of the Company’s securities, and prepare a “holding” announcement to be released when there is growing rumour of the undisclosed information. In the case if the withheld inside information is or is likely leaked, the procedures as set out in paragraph 3.12 herein below shall be closely observed.
- 3.8 An announcement of the withheld inside information shall be published without further delay once the matter, development or event has been concluded and finalised.

## **Maintaining Confidentiality and Dealing Restrictions**

### **3.9 Directors and Employees**

3.9.1 Directors and employees who possess unpublished inside information must:

- (a) refrain from discussing that information with, or divulging that information to, any persons who are not authorised by the Board to receive that information; and
- (b) ensure that any documents or other written material in his/her possession in relation to that information are properly and securely stored and are not disclosed to any unauthorised persons.

3.9.2 Directors and employees must not deal in the Company's securities when they are in possession of unpublished inside information.

### **3.10 External Parties**

3.10.1 Any external parties who may become privy to the Company's unpublished inside information shall be informed that they must not divulge such information to any unauthorised persons, other than in the normal course of business, without the Company's prior written consent. Unless an obligation of confidentiality is implicit in the relationship with an external party, such parties who have access to unpublished inside information of the Company shall (a) confirm their commitment to non-disclosure of the received information in the form of a written confidentiality agreement or in a standard clause within the contract signed with the Company; (b) undertake not to deal in the Company's securities whilst they are in possession of the unpublished inside information until such information has been publicly disclosed.

3.11 Trading Halt or Suspension

The Board may, if and when appropriate, apply for a halt or suspension in the trading of the Company's securities in order to maintain fair trading in its securities and to manage any disclosure issues before the inside information is publicly disclosed.

3.12 Inadvertent Dissemination of Inside Information

In the case of an inadvertent disclosure of inside information by any employees, the incident must be reported immediately to the Chief Executive Officer with a copy to the Company Secretary. The Chief Executive Officer shall, under its delegated authority, apply for a halt or suspension in the trading of the Company's securities for a period until an announcement of the inside information has been published. The Chief Executive Officer and/ or the Company Secretary shall inform every Director of the incident and issue an announcement of the inside information as soon as practicable.

## **4. EVOLUTION**

4.1 To ensure that the existing Procedures continue to operate smoothly in practice, we will undertake annual reviews of the Procedures having regard to the regulatory requirements and the expectations of our shareholders and other stakeholders.

Polyard Petroleum International Group Limited  
31 December 2012

## Appendix

### **Examples of Possible Inside Information**

- (i) Changes in performance, or the expectation of the performance, of the business;
- (ii) Changes in financial condition, e.g. cashflow crisis, credit crunch;
- (iii) Changes in control and control agreements;
- (iv) Changes in directors and (if applicable) supervisors;
- (v) Changes in directors' service contracts;
- (vi) Changes in auditors or any other information related to the auditors' activity;
- (vii) Changes in the share capital, e.g. new share placing, bonus issue, rights issue, share split, share consolidation and capital reduction;
- (viii) Issue of debt securities, convertible instruments, options or warrants to acquire or subscribe for securities;
- (ix) Takeovers and mergers (companies will also need to comply with the Takeovers Codes that include specific disclosure obligations);
- (x) Purchase or disposal of equity interests or other major assets or business operations;
- (xi) Formation of a joint venture;
- (xii) Restructurings, reorganisations and spin-offs that have an effect on the company's assets, liabilities, financial position or profits and losses;
- (xiii) Decisions concerning buy-back programmes or transactions in other listed financial instruments;
- (xiv) Changes to the memorandum and articles (or equivalent constitutional documents);
- (xv) Filing of winding up petitions, the issuing of winding up orders or the appointment of provisional receivers or liquidators;
- (xvi) Legal disputes and proceedings;
- (xvii) Revocation or cancellation of credit lines by one or more banks;
- (xviii) Changes in value of assets (including advances, loans, debts or other forms of financial assistance);
- (xix) Insolvency of relevant debtors;
- (xx) Reduction of real properties' values;
- (xxi) Physical destruction of uninsured goods;
- (xxii) New licenses, patents, registered trademarks;
- (xxiii) Decrease or increase in value of financial instruments in portfolio which include financial assets or liabilities arising from futures contracts, derivatives, warrants, swaps protective hedges, credit default swaps;
- (xxiv) Decrease in value of patents or rights or intangible assets due to market innovation;
- (xxv) Receiving acquisition bids for relevant assets;
- (xxvi) Innovative products or processes;
- (xxvii) Changes in expected earnings or losses;

- (xxviii) Orders received from customers, their cancellation or important changes;
- (xxix) Withdrawal from or entry into new core business areas;
- (xxx) Changes in the investment policy;
- (xxxi) Changes in the accounting policy;
- (xxxii) Ex-dividend date, changes in dividend payment date and amount of dividend; changes in dividend policy;
- (xxxiii) Pledge of the company's shares by controlling shareholders; or
- (xxxiv) Changes in a matter which was the subject of a previous announcement.

The above is only a non-exhaustive and purely indicative list of the type of events or circumstances which might constitute inside information. It should not be treated as definitive in terms of meaning that the information in question, if disclosed, will have a material price effect. The materiality of the information in question will vary widely from entity to entity, depending on a variety of factors such as the entity's size, its course of business and recent developments, the market sentiment about the entity and the sector in which it operates.

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<sup>1</sup> Specific information is information which has the following characteristics:

- (a) The information is capable of being identified, defined and unequivocally expressed, such as a transaction, event or matter, or proposed transaction, event or matter.
- (b) The information may not be precise. Information may still be specific even though it has a vague quality and may be broad which allows room, even substantial room, for further particulars. For instance, information that a company is having a financial crisis would be regarded to be specific, as would contemplation of a forthcoming share placing even if the details are not known.
- (c) Information on a transaction contemplated or at a preliminary state of negotiation can be specific information but vague hopes and wishful thinking may not be specific information.

<sup>2</sup> In deciding whether information is generally known by virtue of being the subject of media comments or analysts' reports a company should consider not only how widely the information has been disseminated but also the accuracy and completeness of the information disseminated and the reliance that the market can place on such information. A company should consider in particular whether –

- (a) these sources contain the full information that would need to be disclosed as required under section 307B(3) so that there are no material omissions which may make the disclosure false or misleading;
- (b) the market will realise that the information in these sources reflects the information known to the company; and
- (c) the information will be regarded as speculation or opinion of persons outside the company.

Where the information known to the market is incomplete or there are material omissions or there are doubts as to its bona fides, such information cannot be regarded as generally known and accordingly full disclosure by the company is necessary.

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<sup>3</sup> In determining whether a material effect on the price of the Company's securities is likely to occur, the following factors should be taken into consideration –

- (a) the anticipated magnitude of the event or the set of circumstances in question in the context of the totality of the company's activity;
- (b) the relevance of the information as regards the main determinant of the price of the listed securities;
- (c) the reliability of the source;
- (d) market variables that affect the price of the listed securities in question (These variables could include prices, returns, volatilities, liquidity, price relationships among securities, volume, supply, demand, etc.).

<sup>4</sup> Section 307D of the SFO sets out the Safe Harbours –

- “(1) A listed corporation is not required to disclose any inside information under section 307B if and so long as the disclosure is prohibited under, or would constitute a contravention of a restriction imposed by, an enactment or an order of a court.*
- (2) A listed corporation is not required to disclose any inside information under section 307B if and so long as –*
  - (a) the corporation takes reasonable precautions for preserving the confidentiality of the information;*
  - (b) the confidentiality of the information is preserved; and*
  - (c) one or more of the following applies –*
    - (i) the information concerns an incomplete proposal or negotiation;*
    - (ii) the information is a trade secret;*
    - (iii) the information concerns the provision of liquidity support from the Exchange Fund established by the Exchange Fund Ordinance (Cap. 66) or from an institution which performs the functions of a central bank (including such an institution of a place outside Hong Kong) to the corporation or, if the corporation is a member of a group of companies, to any other member of the group;*
    - (iv) the disclosure is waived by the Commission under section 307E(1), and any condition imposed under section 307E(2) in relation to the waiver is complied with.”*
- (3) For the purposes of subsection (2) –*
  - (a) a listed corporation has not failed to take reasonable precautions for preserving the confidentiality of any inside information only because the corporation has, in the ordinary course of business, disclosed the information to any person who –*
    - (i) requires the information to perform the person's functions in relation to the corporation; and*
    - (ii) by virtue of any enactment, rule of law, contract, or the articles of association of the corporation, is under a duty to the corporation not to disclose the information to any other person; and*
  - (b) in those circumstances, the confidentiality of the information is to be regarded as having been preserved.*

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- (4) *Despite subsection (2)(b), a listed corporation is not in breach of a disclosure requirement in respect of inside information the confidentiality of which is not preserved if –*
- (a) *the corporation has taken reasonable measures to monitor the confidentiality of the information; and*
  - (b) *the corporation discloses the information in accordance with section 307C as soon as reasonably practicable after the corporation becomes aware that the confidentiality of the information has not been preserved.”*